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C O N F I D E N T I A L SECTION 01 OF 05 SHANGHAI 000041

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E.O. 12958: DECL: 2/1/2033

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SUBJECT: SHANGHAI ACADEMIC YANG JIEMIAN ON THE SENIOR DIALOGUE, SED,
TAIWAN, NORTH KOREA AND BURMA

REF: SHANGHAI 573 AND PREVIOUS

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate ,
Shanghai .
REASON: 1.4 (b), (d)

¶1. (C) Summary: During a January 22 meeting, EAP DAS Thomas Christensen and Shanghai Institute for International Studies (SIIS) President Yang Jiemian exchanged views on the Senior Dialogue and Strategic Economic Dialogue (SED), Taiwan, Iran, North Korea, and China's non-interference principle. Yang supported the SED and Senior Dialogue processes, noting that they played an important role in stabilizing and establishing a "vision" for U.S.-China relations. While he was pleased with the results of the Legislative Yuan (LY) elections in Taiwan, he worried that President Chen would do something radical to push independence in the next two months. Yang was pessimistic that North Korea would be able to de-nuclearize in the next year. He said that China is trying to play a positive role in Burma, but its main concern is stability. DAS Christensen warned that China's efforts to "squeeze" Taiwan's international space were counterproductive. He urged that China take a more moderate stance towards Taiwan and stressed that democratic constraints will stop President Chen from implementing radical policy initiatives unless the mainland provides him with the emergency conditions that might allow him to break out of those constraints. DAS Christensen urged that China be more active on Burma and North Korea. He stressed that as the world becomes more integrated and China's influence increases, it should no longer maintain its non-interference principle. End Summary.

¶2. (U) EAP DAS Thomas Christensen met with SIIS President Yang Jiemian to discuss overall U.S.-China relations on January 22. Yang is the brother of Chinese Foreign Minister Yang Jiechi and an influential academic in his own right. SIIS Vice President Chen Dongxiao, Consul General, Political/Economic Section Chief and Poloff (notetaker) also participated in the meeting.

Senior Dialogue and Strategic Economic Dialogue

¶3. (C) Yang expressed support for the Senior Dialogue and Strategic Economic Dialogue (SED). He asserted that the two dialogues provide a means of stabilizing U.S.-China relations

and give a vision and "road map" for the relationship. China is very serious and energized to push forward the SED process. During the week of January 14, the Ministry of Finance (MOF), the coordinating body on the Chinese side for the SED, held a conference on the process. According to the MOF, Yang said the American side sends a group to China to work on SED issues every month. China certainly understands that it is not in its interest to have USD 1.5 trillion in foreign exchange reserves and will continue to gradually, but surely, re-evaluate the RMB. China also wants to work with the United States on climate change and environmental protection issues. He urged that the United States also act as a "responsible stakeholder" and take measures to stabilize the USD.

14. (C) The Chinese are happy to hold the two dialogues every six months, but Yang suggested that they be spaced better, since the January Senior Dialogue occurred so close to the December SED. Yang suggested a staggered calendar of one high-level meeting per quarter. There was also the challenge of avoiding too close an overlap with respective political calendars, when the possibility of positive movement on issues would be affected. Yang worried about the next round of the SED in June. Vice Premier Wu Yi will likely be succeeded by Zhang Dejiang, who is more conservative. During the transition period when Wu steps down and Zhang takes over and the immediate period afterward, there will not likely be much progress on the SED. Outgoing officials usually do not do anything because they are leaving and incoming officials will not do anything because they do not want to be seen as being impatient. During this time period, he suggested that it was better to make heavier use of "second track" discussions and have a Chinese think-tank such as the Institute of Economic Studies or Institute of Financial Studies in Beijing hold academic discussions on SED issues. These think-tanks are quasi-governmental organizations. Also, the Chinese Government pays great attention to think-tanks.

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There is a rule that for each round of the SED or Senior Dialogue, the government must seek input from think-tanks. SIIS is the only think-tank in Shanghai tasked with providing such input to the government.

15. (C) Yang noted that the United States and China have different emphasis for the dialogues. The United States is focused on getting China to take concrete actions to prove that the dialogues are useful, while China wants to use the dialogues to discuss the "vision" or future of the overall relationship. A Senior Chinese official recently gave a talk at SIIS in which he said that of all of China's bilateral dialogues, the dialogue with the United States goes the deepest, is the widest and has the most results. The China-Russia dialogue is not very deep because the two sides want to maintain good relations and, therefore, do not argue. The China-EU dialogue has problems because the EU's 27 members are always arguing and cannot come up with a clear cut policy. The China-India dialogue suffers because India is very proud of being a big power. Just like China during the Cultural Revolution, India insists that everyone acknowledge that it is a great power. The China-Japan dialogue does not deal with big issues. The Japanese have no strategy and they let the United States take care of the big issues and focus their efforts on the details or small matters. Yang hoped that the SED and Senior Dialogue not only survive the U.S. elections, but are also upgraded. He noted that Vice Premier Wu Yi outranks her U.S. counterpart. He urged that the newly-elected U.S. President promptly promise continuation of strategic dialogues with China.

16. (C) Yang suggested that in the remaining year of the Bush Administration, both sides should take the following three actions. First, there should be continued cooperation on economic and financial services issues. China wants to spend the USD 1.5 trillion in foreign reserves but does not have the expertise on how best to use the money. Second, the two sides should work on one or two areas of mutual concerns in the international arena such as Iran and North Korea. Third, the United States and China should continue to coordinate on Taiwan

and the Olympics. DAS Christensen stressed the need for the dialogues to lead to real progress, especially on economic issues as the economy is a major issue in U.S. domestic politics during a Presidential campaign. It is also important to have progress on security issues. One of the best ways Administration officials can fend off domestic criticism of the relationship is by pointing to progress on issues such as North Korea, Burma, Sudan, and Iran.

Taiwan: Taiwan Politicians Are Not Gentlemen

17. (C) Yang was pleased with the results of the January Legislative Yuan (LY) elections in Taiwan and said this shows that the Taiwan people are fed up and very resentful of Chen Shui-bian and his policies. In the next two months, he hopes that the United States can continue to take actions to prevent Taiwan declaring de jure independence and stop any unexpected surprises. Yang worried that Chen would try to use the remaining months in power to do something "insane" or to pass a referendum or a set of precedents or a framework that would encourage the pro-independence movement and continue "creeping de jure independence." Yang warned that Taiwan politicians are very opportunistic and think in a different way than people in the United States. There is a saying in China that one should not ascribe the thinking of a gentlemen to the thinking of a mean or small minded person. For example, when Chen was elected eight years ago, U.S. interlocutors told China that Chen could be like President Nixon. However, only big powers such as China, Russia and the United States can produce someone like Nixon. According to one of his friends in the DPP, there are two theories being spread among DPP members to boost their morale. First, that since the KMT is now in control of the LY, the United States wants to see the DPP in control of the Executive Branch to maintain a balance. Second, if former KMT Chairman Lien Chan became the KMT candidate, the United States would be concerned because of his closeness with the Mainland.

18. (C) Yang stressed the importance of President Hu's comments on Taiwan in the 17th Party Congress report. Hu changed Beijing's emphasis from peaceful re-unification to peaceful

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development. The report does not mention peaceful re-unification unless it is necessary and talks more about peaceful development. However, China is a pluralistic society. If economic exchanges, people-to-people exchanges and other soft approaches do not work then there are hardliners in China who could advocate a tougher policy. He added that Taiwan's democracy has a positive effect on the Mainland. If there were no democracy in Taiwan, the Mainland would be slower in opening up economically and politically. According to Yang, the last line on Taiwan in Hu Jintao's 17th Party Congress work report essentially says that if the Mainland wants to solve the Taiwan problem, the Mainland itself needs to do a better job at home.

19. (C) DAS Christensen disagreed with Yang's notion that the way the United States deals with Taiwan is linked with Chinese cooperation on other international issues such as North Korea. While the United States listens to Beijing's concerns on Taiwan and shares ideas, it does not coordinate or cooperate with Beijing on cross-Strait issues. Even if there were no North Korea, Iran, Burma, or Sudan, the United States would still have the same policy towards Taiwan, the DPP Referendum, etc. There are many aspects of the U.S. Taiwan policy that Beijing disagrees with, such as the need for Taiwan to have a robust defense and concerns about Beijing's efforts to squeeze Taiwan's international space. DAS Christensen urged that the Mainland adopt a more moderate stance not only in the military sphere but also in the international arena. Beijing's efforts to squeeze Taiwan's international space increase the popularity of the pro-independence movement in Taiwan.

110. (C) The U.S. policy towards Taiwan has not changed, DAS Christensen continued. We continue to target our messages on the Taiwan people and urge them to think about the consequences

of their leaders' actions. Taiwan democracy is playing a positive role in constraining President Chen. Because of these democratic constraints, President Chen will not be able to achieve any of his radical goals. The only way in which President Chen could implement radical policy initiatives in his few remaining months in office is if the Mainland overreacts and gives him an excuse to enact emergency powers. It is important for the Mainland to understand its role in Taiwan domestic politics and adopt a more moderate stance. China's exclusion of Taiwan from World Health Organization observer status and actions that slow the flow of health information to Taiwan are counterproductive. China's proposed new civil aviation route near the center-line of the Taiwan Strait, reported in the press, would be bad idea at any time, but especially now. DAS Christensen also assured Yang that the United States does not have any favorites among Taiwan politicians. The United States can work well with any Taiwan politician as long as they are not advocating radical, unilateral moves in the direction of independence. Both Hsieh and Ma appear to be more moderate than President Chen. Christensen urged that the Mainland adjust its thinking on Taiwan and do a better job at reaching out to the Taiwan people. No one in Taiwan accepts the pre-conditions set by the Mainland for renewing talks. A more creative formula is needed from the Mainland.

North Korea: The Goal is Too High?

¶11. (C) Yang said that Beijing will continue to push North Korea to de-nuclearize. However, he doubted that North Korea could fully reach this goal before the end of the Bush Administration. North Korea is waiting for a new administration in the United States because it believes it will get a better deal from a President from the Democratic Party. American politicians are giving the wrong signals to North Korea, that North Korea can wait until there is a new U.S. President. The Democratic and Republican parties should coordinate their messages on North Korea. Yang also asserted that the goal set by the Six-Party Talks is too high and suggested that it be lowered or the timeline for de-nuclearization be extended.

¶12. (C) DAS Christensen was adamant that the United States cannot lower the bar or extend the timeline for North Korea. He urged that China send envoys to North Korea to explain the American political system to Pyongyang. It is extremely naive to believe that a Democratic administration would give North Korea a better deal than the current administration. In

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addition, President Bush is focused on this issue and dedicated to the Six Party Talk process while there is no way to predict what policy the next administration will have towards North Korea nor how long it will take to coordinate the various agencies and personnel for engagement on this issue. It is important to seize this opportunity this year and China has a unique role to play in bringing about progress.

Iran: An Awkward Time For China

¶13. (C) According to Yang, China continues to "see eye-to-eye" with the United States on preventing Iran from developing nuclear weapons. However, China feels "sandwiched" between its American friends and Iranian friends. The timing is also awkward because China is facing a serious energy situation and needs to think of energy supply issues. He agreed, however, that there needs to be more coordination between the United States and China on this issue. DAS Christensen said it was difficult to hear Chinese interlocutors use the term "Iranian friends" alongside references to the United States. Iran is a destabilizing regime that supports terrorism and flouts the demands of the international community. China's investment in Iran at this time and conventional arms sales send the wrong signals. Iran is involved in many conflicts in the Middle East and in Afghanistan and is the source of many weapons for terrorist and insurgent groups. In addition, there is

insufficient enforcement by the Chinese Government when certain Chinese entities sell technology to Iran. It is also naive and short-sighted to believe that energy security can be achieved by entering into "sweetheart" deals with Iran. The best way for net energy consumers like the United States and China to obtain energy security is through a combination of strategic petroleum reserves and free-flowing markets. No one poses a bigger security threat to those markets now and over the long run than Iran's behavior.

Burma: Stability Comes First

¶14. (C) Yang stressed the importance of maintaining stability in Burma. He said that Burma is important to China because it is a neighboring country which has had good relations with China for many years. China wants to maintain those good relations. The Chinese Government is also on alert for "color revolutions" and does not want the turmoil caused by these revolutions on its borders. Yang recently went to Singapore and met with ASEAN officials. They advocated that ASEAN and China work together to ensure a gradual and orderly transition in Burma. There have also been discussions about China, India and ASEAN coming together to work on this issue. The ASEAN officials told Yang that the U.S. approach to Burma was not the best way. While the United States and other Western countries that are far away talk loud about Burma, but they do not bear the responsibility and would not offer real help if the regime were to collapse and millions of refugees flee from Burma to ASEAN countries.

¶15. (C) Yang maintained that China has played a positive role on Burma. It sent Vice Foreign Minister Wang Yi to Burma to speak to the government and to urge in a quiet way that it talk to Aung San Sui kyi and UN Special Envoy Ibrahim Gambari. China will continue to take this cautious approach and hoped that the United States can understand that, for China, stability comes first for China.

¶16. (C) DAS Christensen noted USG appreciation for the limited Chinese efforts to date to push reconciliation in Burma, but insisted that China needed to do much more. He stressed that there has yet to be real progress in Burma. He noted with interest Yang's statements about ASEAN and added that recent statements from ASEAN have been very strong on Burma. Yang's interlocutors in ASEAN appear to have misperceptions about the USG position. The United States does not want instant regime change. The United States wants to see serious reconciliation and democratic reforms over time, but we have not seen any positive movement in that direction. Recognizing the Chinese desire for stability, Christensen argued that the current situation in Burma is not stable and is leading to instability throughout the region. Instability serves no one's interests. U.S. and Chinese goals are, therefore, not different. He hoped

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that both sides can find common ground on this issue.

China's Outdated Non-Interference Principle

¶17. (C) According to Yang, Burma, Sudan, and North Korea are leading many Chinese scholars to re-examine China's non-interference principle. While this debate continues in academic circles, the Chinese Government has tried to adjust the policy here and there. In general, however, Beijing continues to adhere to the principle of non-interference in the internal affairs of other countries. In the case of Sudan, the Chinese Government was at first afraid to intervene, but found out that through discussions with the government, it was able to make some progress. DAS Christensen encouraged China to break-out of the non-interference principle. Security threats stem from domestic problems, as was demonstrated by 9-11. To fight threats such as terrorism, China needs to care about good governance and other domestic issues in other countries. As China's influence grows and the world becomes more integrated, China needs to break-out of its outdated non-interference

principle and become more active in managing the world to promote peace, stability, and development.

¶18. (U) This report was cleared by DAS Christensen.
JARRETT